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ABSTRACT

This report from the Office of Inspector General (OIG) identifies systemic weaknesses in the operations and programs of the U.S. Department of Education (ED). The office provides accurate financial information to make informed decisions, manage for results, and ensure operation integrity. Vigorous fraud investigations are continuing. Audits reveal continuing problems with network security, student financial assistance information system contracts, control of purchase cards, and third party drafts. The OIG found noncompliance with the Gun-Free Schools Act of 1994 in two states and poor information management. The Office is issuing audits, identifying fraud, and reaching several civil settlements regarding aid programs. In addition to assisting members of Congress, OIG performed 60 quality reviews of independent audits, participated in ongoing efficiency initiatives, reviewed ED contributions to the security of the nation's critical infrastructure, and issued reports to the President. Tables in 10 appendices contain audit information. (TEJ)

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ED 447 567

U.S. Department of Education

Office of Inspector General

Semiannual Report to Congress

No. 41

April 1 – September 30, 2000

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U.S. Department of Education

Office of Inspector General

Semiannual Report to Congress

No. 41

April 1 — September 30, 2000

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

October 30, 2000

Honorable Richard W. Riley
Secretary of Education
Washington, DC 20202

Dear M[illegible]ry:

I am pleased to submit this semiannual report on the activities of the Department's Office of Inspector General for the six-month period ending September 30, 2000 in accordance with section 5 of the Inspector General Act of 1978 (Public Law 95-452, as amended). The Act requires you to transmit the semiannual report by November 30, 2000 to the appropriate congressional committees and subcommittees, together with: 1) a report containing any comments you wish to make; 2) statistical tables as specified in section 5(a)(13)(b)(2) and (3) of the Act; and 3) a statement with respect to audit reports on which management decisions have been made but final action has not been taken, as specified in section 5(a)(13)(b)(4).

Our work this period focused upon both Departmental operations and Department programs, in accordance with our legislative mandate. At the request of the Department, we continued our review of the Department's internal control over the use of purchase cards and third-party drafts. The review covers all of the principal offices; we have identified internal control weaknesses and have found the principal offices receptive to our identification of areas for improvement. Our investigations into fraud against the Department resulted in substantial monetary recoveries in one case and guilty pleas in the other. Management has cooperated fully with our investigations. Our review of the Department's communication infrastructure, EDNet, identified a number of security exposures, which Department managers have planned corrective actions to address. In the programmatic area, we reviewed seven states' compliance with the Gun-Free Schools Act. Most of the states concurred with our findings and recommendations for improving their compliance with the Act's provisions.

I look forward to continuing to work with you and Department managers in the coming months, as we seek to ensure that Education Department programs and operations serve the nation's students and taxpayers with efficiency, effectiveness, and integrity.

Sincerely

Lorraine Lewis

Lorraine Lewis

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

INSPECTOR GENERAL'S
MESSAGE TO CONGRESS

It is my pleasure to report on the accomplishments of the Office of Inspector General, Department of Education, for the period April 1, 2000 through September 30, 2000. This has been an especially busy reporting period, with much work conducted in both Department programs and operations.

As I mentioned in our previous Semiannual Report, we are focusing additional attention on Department operations. Twice this period, I testified before the U.S. House of Representatives on financial management issues at the Department. In my testimony, I highlighted our recent information technology and computer security reviews, the Department's progress on financial statement audit recommendations, and ongoing investigations. Through the cooperative efforts of the Department and this office, a total of 117 financial statement audit recommendations have been completed and 22 remain with corrective action pending.

One of the investigations involves individuals who acquired, for personal use, over $300,000 in equipment purchased with federal funds, and charged the Department over $600,000 for hours not worked. At the end of the semiannual period, four of the individuals involved had pled guilty to their involvement. Another investigation involves $1.9 million in Impact Aid funds that were fraudulently wired into improper bank accounts. These funds should have been distributed to two school districts in South Dakota. The Department has recovered over $1.6 million of these funds, as well as the funds from the sale of the two cars seized during the investigation. We have received the full cooperation of Department management during these investigations.

In the programmatic area, we issued a number of reports relating to both elementary and secondary education and higher education. We issued reports to seven states on their compliance with the Gun-Free Schools Act and suggested improvements as necessary. We found that all of the states we reviewed would be aided by a clearer understanding of the definition of firearms. In another audit, we found that the process for recertifying foreign schools' participation in Title IV of the Federal Family Education Loan program has been ineffective. We recommended that the Student Financial Assistance office implement controls to ensure that required documentation is obtained and reviewed before making recertification decisions. We also reviewed management controls over distance education and found that both states and accrediting agencies had several concerns and suggestions for federal action. Information on several other reviews we conducted this period on Departmental programs is also included in this report.

There has also been an increased emphasis on improper payments in recent years, including at recent congressional hearings. I have recommended that the Department proactively develop its own approach or methodology for annually estimating improper payments. With a reasonable improper payment estimate, the Department will be in a better position to manage its financial resources and to make programmatic decisions. Given the breadth of the Department's programs and the amount of federal funds involved, we support the General Accounting Office's current involvement in identifying possible improper payments. Their review will supplement our work and provide additional resources in this important area.

I am pleased to announce that we have selected two new Assistant Inspectors General. Ms. Mary Mitchelson joins us as the Assistant Inspector General for Analysis and Inspection Services and Mr. Donald R. Reid joins our staff as the Assistant Inspector General for Investigation Services. Their experience and knowledge will contribute to accomplishing the OIG's mission.

Our commitment to ensuring the proper, efficient, and effective use of federal education funds remains vigilant. I look forward to a continued partnership with the Secretary and the Congress as we pursue these important endeavors.

Lorraine Lewis

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EXECUTIVE SUMMARY

The Office of Inspector General (OIG) this period continued to focus on identifying specific and systemic weaknesses, as well as opportunities for improvement, in Department of Education (ED or the Department) operations and programs. We also continued to work with ED managers as they address these issues. Our reviews focused on areas we identified last period in our response to a joint House and Senate request, as management challenges facing the Department *(Appendix 1)*. These areas continue to present significant challenges to ED managers. Finally, we continue to fight fraud, waste, and abuse in Department programs and operations. A summary of our work in these and related areas follows, with more detailed descriptions in the body of this report.

DEPARTMENTAL OPERATIONS

Ongoing Investigations

We are conducting vigorous investigations involving internal Departmental operations. A money-laundering and wire-fraud scheme led to an investigation which resulted this period in the Department recovering $1,657,980 that had been fraudulently wired to improper bank accounts *(page 4)*. In addition, our investigation of individuals who purchased government equipment with federal funds for non-business-related purposes and fraudulently charged hundreds of thousands of dollars in unworked overtime hours to the Department resulted in four guilty pleas by the end of the period *(page 4)*.

Financial Management

One of the most critical challenges facing the Department is the ability to provide accurate financial information to make informed decisions, manage for results, and ensure operational integrity. In our last semiannual report (*Semiannual Report No. 40*, page 1) we reported that the Department for the first time was able to issue its audited financial statements to the Office of Management and Budget by the statutory deadline. We are committed to issuing the fiscal year 2000 reports for the Department and Student Financial Assistance (SFA) on time *(page 4)*.

Information Systems

Another area that poses significant challenges for the Department is that of information systems and security controls (*Semiannual Report No. 40*, page 2). This period we completed an audit of ED's communication infrastructure, the Department of Education Network (EDNet) that identified a number of security exposures that affect the overall security of the Department's information systems *(page 5)*. This work followed our first security audit, that of the Grants Administration and Payment System, done in September 1998 (*Semiannual Report No. 38*, page 1), and our second, a report on ED's security posture, policies, and plans, issued in February 2000 (*Semiannual Report No. 40*, page 3).

In addition, this period we conducted a follow-up review on corrective actions the Department had taken related to our audits of SFA information technology contracts. We found that ED has

taken corrective actions that would correct the problems identified in three of six issue areas. The other three issue areas are still outstanding *(page 5)*.

Internal Control

At the request of the Department, our Analysis and Inspection Services continued a review of ED's internal control over the use of purchase cards and third-party drafts. The review covered all of the principal offices within the Department, with each office receiving an individual report, followed by a summary report highlighting the most significant issues for the Department. We assessed ED's internal control against the General Accounting Office *Standards for Internal Control in the Federal Government* (GAO Standards). From the work we have completed, we have found that ED does not fully satisfy the GAO Standards in all cases *(page 5)*.

DEPARTMENT PROGRAMS

Gun-Free Schools Act

The Gun-Free Schools Act of 1994 prescribes actions that states must take when students are determined to have brought a firearm to school. This period our office issued reports on seven states' implementation of the Act for the 1997-98 school year. We found that five of the seven states and a majority of the local educational agencies (LEAs) were generally in compliance with the Act. We did, however, identify possible non-compliance at two states, weaknesses at LEAs, and weaknesses in the collection and reporting of data *(page 6)*.

Student Financial Assistance

The OIG continues to work with Department managers and officials to help ensure the integrity of the SFA programs. Of the nine significant challenges we identified last period, three are SFA-related issues.

PROGRAM OVERSIGHT

We issued three audit reports on aspects of the SFA programs involving issues of oversight of institutions participating in the programs that could put at risk millions of dollars in Title IV, Higher Education Act program funds *(page 7)*. The audits covered recertifying of foreign schools, Case Management and Oversight (CMO) program review, and CMO's process for tracking and resolving audit recommendations *(page 8)*.

SCHOOLS AND RECIPIENTS

OIG audits and investigations this period identified recipients of ED funds who either misspent or otherwise misused the funds. Investigations continued to yield convictions of those who perpetrated fraud against the SFA programs, as well as sentences with substantial fines, restitutions, and terms of imprisonment *(page 9)*.

In addition, two significant civil settlements occurred this period: 1) a $7,775,000 civil settlement with CORUS Bankshares, Inc. and CORUS Bank, Inc. for their role in submitting fraudulent reinsurance claims for student loans *(page 9)*, and 2) a settlement agreement with CSC Credit Services, Inc., the Department of Justice, *qui tam* relators, and the Department to resolve a federal civil false-claims suit. CSC Credit Services, Inc. paid the United States government the sum of $6,417,114 *(page 10)*.

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OTHER ACTIVITIES AND INITIATIVES

Congressional Activities

Inspector General Lorraine Lewis testified before Congress twice during the period. Both hearings were related to financial management at the Department *(page 15)*. The OIG also responded to congressional requests regarding Departmental operations from the Senate Committee on Governmental Affairs and the House Subcommittee on Government Management, Information and Technology, Committee on Government Reform *(page 16)*.

Nonfederal Audit Activities

The Inspector General Act directs the Inspector General to take appropriate steps to ensure that work performed by nonfederal auditors complies with federal government auditing standards. This period we performed 60 quality control reviews of audits performed by independent public accountants *(page 16)*.

President's Council on Integrity and Efficiency

Our office participated in initiatives of the President's Council on Integrity and Efficiency (PCIE) and Executive Council on Integrity and Efficiency (ECIE) during the period. Among them was Phase I of a review of ED's compliance with Presidential Decision Directive 63, which provides for a national effort to assure the security of the nation's critical infrastructures *(page 17)*. In addition, this period our office produced the PCIE/ECIE Fiscal Year 1999 Progress Report to the President *(page 18)*.

SIGNIFICANT ACTIVITIES AND ACCOMPLISHMENTS

DEPARTMENTAL OPERATIONS

Ongoing Investigations

FORFEITURE *IN REM* JUDGMENT IN EXCESS OF $1.6 MILLION AND RETURN OF FUNDS TO ED

Based on the work of the OIG and the Federal Bureau of Investigation, and at the request of the Department, a federal complaint for forfeiture *in rem* was filed this period in U.S. District Court, District of Columbia. The complaint outlined evidence developed in an investigation into $1.9 million of Department of Education (ED or the Department) Impact Aid funds fraudulently wired in late March and early April from the Federal Reserve to improper bank accounts. These funds were intended for two school districts in South Dakota, which received their correct payments in mid-April.

The court subsequently entered a judgment of forfeiture of all the assets covered by the complaint. The judgment covers eight assets related to a money-laundering and wire-fraud scheme, including a total of $1,657,980, a 2000 Lincoln Navigator, a 2000 Cadillac Escalade, and a piece of real estate in Maryland that was purchased with the diverted funds.

On September 29, 2000, the Department of Justice Asset Forfeiture and Money Laundering Section granted ED's Petition for Remission. ED received $1,657,980, which was placed in the Impact Aid account for distribution to appropriate grantees. The Department anticipates receiving additional funds as the remaining assets are sold. We are conducting a vigorous investigation of this diversion of funds.

IMPROPER PURCHASES OF EQUIPMENT, CHARGES FOR UNWORKED HOURS

We are also conducting a vigorous investigation of individuals who for a period of years purchased equipment with federal funds for non-business-related purposes, billed the Department for hours not worked, and received goods purchased with federal funds for personal use. These goods include computers, printers, computer software, scanners, cordless telephones, a 61-inch television, walkie-talkies, compact disc players, and other equipment. The total cost of these items to ED was over $300,000. In addition, it is estimated that between January 1, 1997, and November 30, 1999, individuals involved in the case fraudulently charged approximately $634,000 in unworked overtime hours to the Department.

At the end of the reporting period, four individuals had pled guilty based on their involvement in the case. In October, two more individuals pled guilty. The three who were ED employees at the time of their pleas submitted written resignations from the Department as part of their plea agreements.

Financial Management

One of the most critical challenges facing the Department is the ability to provide accurate financial information to make informed decisions, manage for results, and ensure operational

integrity. This period, the Department provided us with a corrective action plan for the fiscal year 1999 financial statement audit and updated corrective action plans for the fiscal years 1995 through 1998 financial statement audits. Through the cooperative efforts of the Department and this office, a total of 117 recommendations have been completed and 22 remain with corrective action continuing. We also continue to work on the fiscal year 2000 financial statement audit and are committed to issuing the reports for the Department and Student Financial Assistance on time.

Information Systems

REVIEW DISCLOSES SECURITY EXPOSURES

We issued a final report this period covering the results of our evaluation of the security posture of the Department's information technology infrastructure, the Department of Education Network (EDNet). The audit identified a number of security exposures that affect the overall security of the Department's infrastructure and information assets. The Department concurred with our findings and recommendations. We will continue to monitor the progress of their corrective actions. This is the third security audit for our office. The first, "Review of GAPS [Grants Administration and Payment System] Security," was done in September 1998 (*Semiannual Report No. 37*, page 1); the second, "Review of Security Posture, Policies, and Plans," was issued in February 2000 (*Semiannual Report No. 40*, page 3).

CORRECTIVE ACTION ON SFA INFORMATION TECHNOLOGY CONTRACTS

This period we conducted a follow-up review on corrective actions ED has taken related to our audits of Student Financial Assistance (SFA) information technology contracts *(ED-OIG/A07-A0014, September 27, 2000)*. We found that the Department has taken corrective actions that would likely correct the problems identified in three of six issue areas. Specifically, ED has taken corrective actions to formalize contract changes, to ensure that key personnel changes were appropriately authorized, and to ensure that contract terms were appropriately defined in the identified contracts.

The Department has not taken adequate, timely action to address the following issues:

- key personnel who were specified as being 100 percent dedicated to the contract but who were charging hours to new work and other ED contracts;
- weaknesses in procedures for monitoring reimbursements due ED for charges collected from non-ED users of the Title IV Wide Area Network, which resulted in missing reimbursement checks; and
- incorrect billings for travel costs associated with the contracts.

The Department concurred with our findings and recommendations and identified actions it intends to implement to address the issues raised by our audit.

Internal Control

At the Department's request, our Analysis and Inspection Services continued a review of the Department's internal control over the use of purchase (credit) cards and third-party drafts (checks). We assessed ED's internal control against the General Accounting Office *Standards for Internal Control in the Federal Government* (GAO Standards). The five GAO Standards

include: 1) control environment; 2) risk assessment; 3) control activities; 4) information and communications; and 5) monitoring.

Our review included an examination of the internal control for each ED principal office. During this reporting period, we completed reports on all but one (see *Appendix 4*). In October, we issued the report on the remaining principal office, and a summary report to the Department highlighting significant issues and providing recommendations for corrective action.

We found that the Department's established control activities for the purchase card and third-party draft programs are not always followed. Additionally, we found that the Department's Office of the Chief Financial Officer (OCFO), which has responsibility for the operation of both programs, needs to improve its administration of the programs. Consequently, we found that the Department does not fully satisfy the GAO Standards in all cases.

Some of the deficiencies we noted include a frequent lack of documented supervisory review of individual purchases made by purchase cardholders. This is combined with a lack of sufficient supporting documentation for some purchase card transactions. In addition, ED's purchase card training and procedural manual need improvement. The OCFO also needs to complete an effective reconciliation of the monthly Department-wide purchase card statement.

In the third-party draft program, we noted deficiencies in ED's internal control over the printing, signing, and monitoring of drafts. We also noted a lack of sufficient supporting documentation for some third-party draft transactions.

Controls Over Cellular Phones

This period we conducted an audit of the Department's controls over cellular phones ("Audit of the U.S. Department of Education's Controls over Cellular Phones," *ED-OIG/A11-A0014, September 15, 2000*). We found: 1) lack of Department-wide and principal office cell phone policies and procedures, 2) unreliable cell phone inventories, 3) inadequate separation of key cell phone responsibilities, 4) inconsistent vendor selection processes, 5) inadequate and inconsistent billing procedures, and 6) inadequate supporting documentation for cell phone purchases and billings.

These weaknesses result in more than a relatively low risk that errors, irregularities, and other inefficiencies may occur. The Department concurred with our findings and recommendations, and has planned actions that should begin to address the cited conditions.

Department Programs

Gun-Free Schools Act

The Gun-Free Schools Act of 1994 requires each state receiving federal funds under the Act to have in effect a law requiring local educational agencies (LEAs) to expel from school, for a period of not less than one year, a student who is determined to have brought a firearm to school. The Act allows the district's chief administrative officer to modify its expulsion requirement on a case-by-case basis. The Act also requires states to report annually to ED information on firearm expulsions under the state law.

AUDITS GENERALLY FIND COMPLIANCE AND SOME REPORTING PROBLEMS

This period we audited seven states' compliance with the provisions of the Gun-Free Schools Act. West Virginia, Wisconsin, Texas, Maryland, Colorado, New Mexico, and California were selected to participate in this audit. (See *Appendix 3* for individual audit listings.)

We concluded that five of the states and a majority of the LEAs were generally in compliance with the Act for the 1997-1998 school year. We did, however, identify weaknesses in the following areas.

- **Possible non-compliance at two states.** The Colorado state law may not require mandatory expulsions for a period of at least one year for students who bring a firearm to school, while in California, the state law may not require mandatory expulsions of students who bring explosives to school.

- **Weaknesses at LEAs.** In New Mexico, Albuquerque Public Schools did not expel 14 of the 26 students who were involved with firearms. In California, LEAs' decisions to modify the expulsion requirement were made at a lower organizational level than the Act requires. We also found that LEAs did not provide the California Department of Education with school-level data required by the Act. In two LEAs in Colorado, there were inadequate criminal justice or juvenile delinquency system referral policies in place.

- **Collection and reporting of data.** In California, Maryland, Wisconsin, and New Mexico, we found weaknesses in the collection and reporting of data that resulted in errors reported by the state department of education. Most of the errors in reporting were due to confusion over what weapons qualify as a firearm.

Most of the states concurred with our findings and recommendations, and many are taking action to address the weaknesses we identified. In addition, we have recommended that the Office of Elementary and Secondary Education (OESE) determine whether the Colorado and California state laws are in compliance with the Act. OESE plans to address our recommendation.

Student Financial Assistance

While the creation of a Performance-Based Organization for the SFA programs has resulted in improvements, successful management of the programs and their delivery systems remains among the most significant challenges for ED.

PROGRAM OVERSIGHT

Weaknesses in oversight mechanisms can make it more difficult for managers to address problems in the programs they manage. This period we issued three audit reports on aspects of the SFA programs involving weaknesses in oversight and management control.

INEFFECTIVE PROCESS FOR RECERTIFYING FOREIGN SCHOOLS

Our audit of SFA's process for recertifying foreign schools' participation in the Federal Family Education Loan (FFEL) program found that the process has been ineffective ("The Recertification Process for Foreign Schools Needs to Be Improved," *ED-OIG/A01-90005, September 29, 2000*). We found that SFA has not performed recertifications in a timely manner, and has not based its recertification decisions on information required by the Higher Education Act (HEA). Specifically, SFA did not enforce statutory requirements for compliance audits and foreign medical school eligibility ratios. As a result, FFEL funds were potentially at risk at these

foreign schools because ineligible institutions or students may have received funds to which they were not entitled.

We recommended that the Chief Operating Officer, SFA implement controls to ensure that required documentation is obtained and reviewed before making recertification decisions. While SFA officials generally concurred with our recommendations, they also documented the challenges they face in enforcing the HEA requirements for foreign schools. They assert that these challenges result from the lack of understanding by foreign schools concerning annual compliance audit requirements and the difficulty of SFA and schools in obtaining pass rates from the organization administering medical school examinations.

WEAKNESSES IN PROGRAM REVIEW PROCESS

This period we conducted a review of Case Management & Oversight's (CMO) program review function ("Review of Case Management & Oversight's Program Review Function," *ED-OIG/A04-90003, September 21, 2000*). At the time of our review, CMO was one of six services within SFA that was responsible for administering the SFA programs. Its responsibilities included determining institutions' eligibility to participate in the federal SFA programs and certifying institutions for participation. It was also responsible for developing and implementing policies and procedures for monitoring institutions participating in the programs to ensure compliance with the Higher Education Act, regulations, and policies, and conducting on-site reviews of participating postsecondary institutions.

Our review found that CMO does have a process in place to conduct program reviews within the case management system. It does not, however, have proper controls to ensure the effective utilization of program reviews to monitor and improve institutional performance.

We recommended that the Chief Operating Officer, SFA institute management controls within the case management process to ensure a consistent and appropriately balanced use of program reviews to monitor institutional compliance with Title IV requirements. SFA concurred with our recommendations; however, it did not agree with all of our assessments. SFA stated that as it develops program review measures and refines goals, it will clarify the importance of program reviews for the case teams, emphasize the need for a more balanced use of reviews in case management, and perform more program reviews at high-risk institutions.

IMPROVEMENTS NEEDED IN TRACKING AND RESOLVING AUDIT RECOMMENDATIONS

We issued a report on our review of CMO's process for tracking and resolving audit recommendations ("Audit of Case Management & Oversight's Audit Tracking and Resolution Process," *ED-OIG/A03-90003, September 29, 2000*). We found that CMO does not ensure that all required SFA compliance audit reports are submitted when due or issued in a timely manner, or that the findings are coded correctly. We did find that CMO had an effective system in place to ensure the timely submission of financial audits of proprietary institutions, and generally resolved compliance reports in accordance with applicable requirements. SFA generally concurred with our procedural recommendations to improve CMO's audit tracking and resolution process.

DISTANCE EDUCATION

The growth in schools offering educational programs and courses delivered through computer transmission (*i.e.*, "distance education") raises concerns about implementing management controls. This period we gathered information from 56 state agencies that license or approve

higher education institutions to operate in their states, and from accrediting agencies the Department recognizes to accredit institutions authorized to participate in the Title IV programs.

Our study revealed concerns by both state and accrediting agencies in the areas of educational outcomes, student support services, curricula, availability of information about institutions, faculty, and satisfactory academic progress ("Management Controls for Distance Education at State Agencies and Accrediting Agencies," *ED-OIG/A09-90030, September 27, 2000*). In addition, 50 percent of the state agencies indicated a high level of concern about out-of-state institutions that offer programs and courses delivered through computer transmission to state residents.

Both state and accrediting agencies had several suggestions for federal action that would enhance their licensing/approval and accreditation procedures for protecting students and ensuring quality of programs and courses that are offered primarily through distance education. We provided our report to the Chief Operating Officer, SFA and the Assistant Secretary for Postsecondary Education for information purposes.

NEGOTIATED RULEMAKING

The Higher Education Act requires the Department to conduct negotiated rulemaking with the postsecondary education community. The Inspector General Act requires us "to review existing and proposed legislation and regulations relating to programs and operations" of the Department.

In fulfilling our responsibility in this area, we were active participants this period in ED's internal regulatory workgroups for negotiated rulemaking. We advised the Department of the potential consequences of proposed changes to the economy, efficiency, and integrity of SFA programs. Proposed regulations have been published for public comment.

SCHOOLS AND RECIPIENTS

OIG audits and investigations of schools and other recipients of ED funds have identified both systemic and specific weaknesses. Our work this period, as in prior periods, resulted in significant programmatic and monetary findings as well as convictions, sentencings, and recoveries.

Civil Actions

BANK AGREES TO PAY $7,775,000 TO SETTLE FALSE CLAIMS ACT LAWSUIT

Officials of CORUS Bankshares, Inc. and CORUS Bank, Inc. (CORUS) settled an action filed in the Northern District of Illinois under the federal False Claims Act. CORUS agreed to pay $7,775,000 to compensate the federal government for allegedly submitting fraudulent insurance and reinsurance claims of guaranteed student loans. The settlement also resolves the administrative treatment of unsubmitted insurance and reinsurance claims that will result in CORUS foregoing collection on approximately $3,500,000 in guaranty claims, thus resulting in an aggregate settlement of nearly $11,500,000.

CORUS Bankshares, Inc. is a one-bank holding company based in Chicago, Illinois. CORUS Bankshares came into existence in June 1996, when its predecessor River Forest Bancorp, Inc. changed its name to CORUS Bankshares, Inc. The lawsuit alleged that River Forest Bancorp, Inc. submitted claims for insurance on defaulted guaranteed student loans after the loans had become ineligible for insurance and reinsurance because of servicing violations concerning due

diligence. To facilitate this scheme, bank employees, including those at the lower supervisory level of the student loan processing department, falsified default claim forms submitted for insurance and reinsurance.

CONTRACTOR PAYS GOVERNMENT $6,417,114 TO RESOLVE FALSE CLAIMS SUIT

Effective September 28, 2000, CSC Credit Services, Inc. (CSC Credit), a subsidiary of Computer Sciences Corporation, reached a settlement agreement with the Department of Justice, *qui tam* relators, and the Department of Education to resolve a federal civil false-claims suit. As a result of the settlement agreement, CSC Credit paid the United States government the sum of $6,417,114. This matter stems from a four-year investigation by OIG that began in late 1996.

CSC Credit was an ED contractor engaged in collecting defaulted student loans. It submitted false claims to the Department for the payment of commissions and incentive bonuses, based on activity that did not meet the requirements for loan consolidation as set forth under applicable laws and regulations.

The settlement will become final when the U.S. District Court for the District of Columbia approves it.

Institutions

SUCCESS INSTITUTE OF BUSINESS

Our audit of Success Institute of Business, a proprietary school located in Houston, Texas disclosed that the school improperly retained and used $80,000 of William D. Ford Federal Direct Loan Program funds that were received in excess of what the school requested ("Review of Student Financial Aid Compliance at Success Institute of Business," *ED-OIG/06-90004, August 7, 2000*). Success Institute also did not qualify as an eligible institution for participation in the Title IV SFA programs because it received more than 85 percent of its revenue from Title IV sources. The school also failed to pay required refunds, incorrectly calculated refunds, paid refunds late, provided Title IV aid to ineligible students, and did not maintain reliable and accurate accounting records.

The report recommended that Success Institute be required to return to ED or lenders $2,245,416 of Title IV funds that were inappropriately disbursed. After audit fieldwork was completed, ED's Southwest Case Management Division and the Texas Guaranteed Student Loan Corporation took action against the school. The school ceased providing educational services before we released our final audit report, and closed on March 27, 2000.

CLEVELAND STATE UNIVERSITY

We issued a report on our audit of Cleveland State University ("Audit of the Title IV Higher Education Act Programs Administered by Cleveland State University, Cleveland, Ohio," *ED-OIG/05-90054, September 28, 2000*). Our audit identified deficiencies related to calculating accurate student refunds, making all refunds, and making refunds timely; determining satisfactory academic progress (SAP); and recording student account and general ledger transactions accurately.

We recommended that the Chief Operating Officer, SFA instruct the university to refund to ED or return to lenders $86,189. We also recommended that the university be instructed to make SAP determinations and repay to ED or return to lenders any funds disbursed to ineligible

students, and establish and implement policies, procedures, and controls to correct the deficiencies we identified.

The university did not concur with the refund findings and recommendations. The university did concur with our recommendation to return $75,235 for seven students specifically identified as failing to meet the SAP policy, but it did not concur that it should make further SAP determinations. The university did not concur with the finding and recommendations to complete the reconciliation of accounting records and claimed to have reconciled its records, but did not provide adequate documentation to support its claim. The university's response indicated that it has implemented new policies and procedures to prevent some of the problems identified in this report.

School Officials and Employees

CONVICTION IN $2.3 MILLION ELIGIBILITY FRAUD

A federal jury in Hammond, Indiana convicted the owners of Midland Career Institute of student financial aid fraud and conspiracy. Our investigation disclosed that they had fraudulently obtained approximately $2.3 million in Pell grants and federally guaranteed student loans. The subjects ordered employees to falsely report to the school's Pell third-party servicer that ineligible students whom they had admitted to the school had earned the required number of credits necessary to obtain subsequent Pell disbursements. The subjects are awaiting sentencing.

$281,000 RESTITUTION ORDERED IN PELL FRAUD

A former financial aid officer at Florida A&M University was sentenced in the Northern District of Florida to 13 months in prison followed by three years probation, and was ordered to pay restitution in the amount of $281,302. Investigation disclosed that the subject participated in a kickback scheme in which she used her position to cause the university to make illegal Pell disbursements to students who had already received Pell grants.

FINANCIAL AID DIRECTOR SENTENCED IN LOAN APPLICATION FRAUD

The former financial aid director of Computer Learning Center, Los Angeles, California was sentenced in the Central District of California to 18 months in prison and was ordered to pay $170,326 in restitution. An OIG investigation developed evidence that the subject, working as a financial aid director under an alias, completed, falsely certified, and processed multiple Parent Loans for Undergraduate Students (PLUS) and Supplemental Loans for Students (SLS) loan applications for which he received over $155,000. The subject pled guilty to bank fraud and Immigration and Naturalization Service (INS) fraud. The INS will initiate deportation proceedings against him pending the completion of his imprisonment.

FINANCIAL AID DIRECTOR SENTENCED IN ELIGIBILITY FRAUD

The former financial aid director of Dongguk-Royal University located in Los Angeles, California was sentenced to an eight-month split sentence, requiring her to spend four months in federal prison followed by four months of electronically monitored home detention during her three years of supervised release. She was ordered to pay $8,240 in restitution, the unpaid balance of the loans she obtained for ineligible borrowers. Our investigation disclosed that within two weeks of her employment as the financial aid director, she began certifying and processing loan applications in excess of $60,000 for friends and family members who were not eligible borrowers because they were not students.

SCHOOL OFFICIAL PLEADS GUILTY TO CONSPIRACY

A member of the board of directors and corporate administrative officer, Technical Education Center, Inc. (TEC), Rockville, Maryland pled guilty to conspiracy. Our investigation disclosed that the subject conspired with others in fraudulent practices, including falsifying student status reports and refund work sheets, forging student signatures on the exit interviews, and causing students who were not maintaining satisfactory academic progress and meeting attendance requirements to be placed on a leave of absence. More than 100 students' records were falsified and manufactured at TEC. TEC received and did not refund more than $250,000 as a result of the conspiracy.

TEC's former financial aid director pled guilty to obstruction of a federal audit. She allegedly copied the backs of negotiated checks and attached them to copies of checks that had not been negotiated to make it appear that refunds had been paid. The copied checks were given to the independent auditors to conceal the fact that over $100,000 in refunds had not been paid.

GRAND JURY RETURNS INDICTMENT AGAINST NINE INDIVIDUALS; FOUR PLEAD GUILTY

Nine individuals were indicted in Miami, Florida on charges of conspiracy, wire fraud, false claims, and money laundering for their activities leading to Pell fraud at Garces Commercial College. The defendants were allegedly involved in a massive conspiracy that resulted in the loss of approximately $3.5 million in Pell Grant funds.

The defendants allegedly recruited "college students" from a population of elderly persons living in a senior citizen home. The senior citizens participated in macrame and craft classes; however, Pell grants were awarded on their behalf for being allegedly enrolled in and attending Interior Decorating and Graphic Design classes at Garces. Further, the conspirators began reusing the student files for Pell funding, resulting in the school receiving numerous Pell awards for students who were deceased when they were supposedly attending Garces courses.

In September 2000, four of the defendants pled guilty to conspiracy to steal approximately $3.5 million in Pell funds. Prosecutive action regarding the other five defendants was pending at the end of the period.

SCHOOL OWNER AND DAUGHTER PLEAD GUILTY

The owner and president of the Eastern Jackson County College of Allied Health located in Blue Springs, Missouri and her daughter, a former instructor at the school, pled guilty to conspiring to steal and misapply more than $1.4 million in Pell Grant funds. The investigation revealed that the Pell funds were obtained as a result of the co-conspirators' forging and creating false documents and submitting fraudulent grant applications to ED for non-existent or ineligible students. The subjects are awaiting sentencing.

Other Significant Case Results

FRAUDULENT STUDENT LOAN APPLICATIONS

An individual was sentenced in U.S. District Court, Boston, Massachusetts to 27 months in prison and five years probation and was ordered to pay restitution in the amount of $351,500 for his role in a foreign school loan-fraud scheme. The court also entered an order of forfeiture against him in the amount of $159,840.

The subject had earlier pleaded guilty to nine counts of mail fraud, two counts of bank fraud, and one count of Social Security Account fraud in connection with his submission of 19 fraudulent student loan applications at foreign schools.

DOCTORS SENTENCED IN DISABILITY FRAUD

Two physicians were sentenced after pleading guilty to submitting false disability claims to have over $50,000 in student loans discharged. The brothers claimed they were 100 percent disabled because they were house-confined or wheelchair-bound, but they were surveilled riding bicycles and swimming at the beach. The older brother, who accepted full responsibility for the fraud, was sentenced to 18 months in prison to be followed by three years of probation. He was ordered to pay $145,350 in restitution jointly and severally with his brother. The younger doctor received five years of probation, 300 hours of community service and was ordered to pay the restitution with his brother.

Government Performance and Results Act

The Government Performance and Results Act (GPRA) is the centerpiece of a statutory framework that Congress put in place to improve federal management and provide a greater focus on results. This period we issued two reports on GPRA-related issues.

TITLE III PERFORMANCE MEASUREMENTS MAY NOT SATISFY GPRA

Our review of the Higher Education Programs' (HEP) compliance with GPRA requirements found that HEP may be unable to satisfy the GPRA requirement to report on the performance of the Title III program in fiscal year 2000 ("Review of Title III Program, HEA, Compliance with GPRA Requirements for Implementation of Performance Indicators," *ED-OIG/A04-90014, June 30, 2000*). While HEP has developed performance indicators along with the proposed methods for measuring them, it did not use the suggested Departmental guidelines for developing performance indicators, and the system used to obtain and compile data for reporting on the indicators is not adequate. The Department concurred with our findings and recommendations.

WEAKNESSES IN MANAGEMENT CONTROLS IN ARIZONA DEPARTMENT OF EDUCATION

The Office of Special Education Programs (OSEP) within the Department's Office of Special Education and Rehabilitative Services (OSERS) administers programs funded under the Individuals with Disabilities Education Act, Part B. The legislation outlines how states may use the funds that ED grants for the purpose of special education and related services to children with disabilities. OSEP uses performance data reported by state education agencies to prepare the Department's GPRA report to Congress on the outcome of these programs.

This period we issued a report on our review of the management controls over the Arizona Department of Education's (ADE) collection and reporting of performance data ("Arizona Department of Education Management Controls over IDEA, Part B - Special Education Performance Data," *ED-OIG/A09-A0001, September 22, 2000*).

Our review of procedures and available documentation at ADE and three of its local educational agencies (LEAs) identified weaknesses in management controls. The findings covered performance data for exiting (*i.e.*, whether students dropped out or graduated with a regular diploma), discipline, and personnel. Specifically, we found that: 1) the LEAs did not include all instances of occurrence for the performance indicators; 2) the ADE and the three LEAs did not conduct reviews of the reported data or the reviews were inadequate; and 3) neither the ADE nor

the three LEAs had documented their data collection processes. Due to these weaknesses in ADE's and the LEAs' management controls, we have no assurance that reliable performance data was provided to OSEP for the 1998-1999 school year. ADE generally concurred with the findings, and has taken or plans to take appropriate corrective action.

Elementary, Secondary, and Other Education Programs

SAN FRANCISCO: PROVIDING TITLE I FUNDS TO PRIVATE SCHOOL STUDENTS

We conducted a review this period of the San Francisco Unified School District's oversight of Title I funds for services to private school students ("San Francisco Unified School District's Oversight of Title I Funds for Services to Private School Students," *ED-OIG/A09-90032, August 4, 2000*). The purpose of our review was twofold. First, we sought to determine if the District provided funds for Title I services to private school students in proportion to the number of low-income private school students in participating school attendance areas. Second, we sought to determine whether the District provided adequate oversight to ensure that the funds were expended for intended purposes, and in compliance with federal laws and regulations, specifically, the Elementary and Secondary Education Act.

Our review found that, during the school year ending June 30, 1999, the District complied, in general, with federal laws and regulations when administering Title I funds. The District, however, did not ensure that services were provided for eligible students who attend private schools located outside the District's boundaries. We also noted weaknesses in the District's financial management controls.

The District concurred with our findings and recommendations and informed us that it is implementing actions to address the issues raised by our audit.

PUERTO RICO DEPARTMENT OF EDUCATION

We issued two reports on the Puerto Rico Department of Education's (PRDE) administration of services provided to non-public school students, one on the Governor's Safe and Drug-Free Schools Program and the second on the Even Start Program ("Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free School Program," *ED-OIG/A01-90007, September 27, 2000*; "Puerto Rico Department of Education Needs Major Improvements in its Administration of the Even Start Program," *ED-OIG/A01-90006, September 27, 2000*). Both audits revealed that PRDE lacked adequate cash management practices and effective internal controls to properly administer these programs.

In both audits, we found that PRDE delayed the flow of federal funds to subrecipients because it did not ensure that contracts and budget assignments were signed prior to the beginning of the award period. As a result, PRDE prevented institutions from rendering services and/or hindered their ability to offer optimum services to program participants.

PRDE's lack of efficient cash management controls resulted in excess cash held for the Even Start Program and the Governor's Program. Both programs lacked supporting documentation for cash draws, and for payments made to subrecipients in the Governor's Program. For the Even Start program, PRDE failed to reconcile advance payments made to subrecipients, did not properly forecast payroll expenses, and failed to return excess funds from another ED program.

PRDE agreed with most of our findings from both audits, and plans to implement our recommendations.

STUDENT SUPPORT SERVICES PROJECT

Our audit of Mount Senario College of Ladysmith, Wisconsin found that Mount Senario did not always administer its Student Support Services Project according to the Higher Education Act of 1965 and Title 34, Code of Federal Regulations ("Audit of the Student Support Services Project Administered by Mount Senario College, Ladysmith, Wisconsin," *ED-OIG/A05-A0003, September 28, 2000*).

Our audit disclosed that Mount Senario lacked adequate management controls over the project, including written policies and procedures and an adequate system of financial management. We found that Mount Senario:

- used federal funds to pay project staff for services provided to non-project participants;
- could not account for all funds received;
- could not support all achievements included in its performance report; and
- enrolled students who did not meet requirements to participate in the project.

Mount Senario did not concur with the first finding. Since completion of our field work, however, Mount Senario has developed written policies and procedures for its project and its financial management system. We revised the finding and made minor changes to the recommendations to accurately reflect this occurrence. Mount Senario generally concurred with the remaining findings.

OTHER ACTIVITIES AND INITIATIVES

Congressional Activities

Inspector General Lorraine Lewis testified before congressional subcommittees twice during the period. Both hearings were related to financial management at ED. The OIG also responded to congressional requests this period.

HOUSE BUDGET COMMITTEE TESTIMONY

On May 24, 2000, Ms. Lewis testified before the Committee on the Budget, U.S. House of Representatives. Her testimony included our recent work in the areas of Pell Grant fraud, improper student loan forgiveness, and our ongoing investigation involving equipment purchased with federal funds for personal use and false work hours charged to the Department *(see page 4)*. The need for an environment with strong internal controls, which are necessary to maintain the integrity of ED programs, was also a topic of discussion during the hearing.

HOUSE OVERSIGHT AND INVESTIGATIONS SUBCOMMITTTEE TESTIMONY

On September 19, 2000, Ms. Lewis testified before the Subcommittee on Oversight and Investigations, Committee on Education and the Workforce, U.S. House of Representatives. Her testimony addressed various issues related to financial management, including ED's progress on fiscal year (FY) 1999 financial statement audit recommendations, the status of the FY 2000 financial statement audit and duplicate payments. She also discussed current investigations involving equipment purchased with federal funds for personal use and false work hours charged to the Department and diversion of Impact Aid funds *(see page 4)*. Ms. Lewis also discussed recent OIG computer security reviews of the Department *(see page 5)*. Improper payments was also a topic of discussion during the hearing.

With regard to financial management, Ms. Lewis reported that, since our March 1, 2000 testimony, the Department had provided us with a response to the FY 1999 financial statement audit, and updated corrective action plans for all of the financial statement audits. She also gave a progress report on the status of unresolved recommendations from the FYs 1995 through 1999 audits.

Information Requests

TRAVEL BY DEPARTMENT EMPLOYEES

In response to a request from Senator Fred Thompson, Chairman, Committee on Governmental Affairs, United States Senate, we have provided periodic updates on political travel by Department employees or officials, and the amount of time ED officials who are appointed by the President and confirmed by the Senate spent campaigning. We initially replied on June 30, 2000, with information for the period March 1, 1998 through April 17, 2000. We provided subsequent updates for each two-month period thereafter.

EXAMPLES OF FRAUD, WASTE, AND MISMANAGEMENT

We also responded this period to a request from Representative Stephen Horn, Chairman, Subcommittee on Government Management, Information and Technology, Committee on Government Reform, U.S. House of Representatives. Chairman Horn requested, through the President's Council on Integrity and Efficiency, three to five recent examples of fraud, waste, and mismanagement. The examples we provided included:

- a $7.775 million settlement between the Department of Justice and CORUS Bankshares, Inc. and CORUS Bank, Inc. for alleged fraudulent activities involving the submission of fraudulent insurance and reinsurance claims for guaranteed student loans *(see page 9)*;

- the conviction of Midland Career Institute owners who fraudulently obtained approximately $2.3 million in Pell grants and federally guaranteed student loans *(see page 11)*;

- the guilty plea of a former school owner and her daughter for conspiring to steal and misapply more than $1.4 million in Pell funds *(see page 12)*; and

- an ongoing investigation involving equipment purchased with federal funds for personal use and false work hours charged to the Department *(see page 4)*.

Nonfederal Audit Activities

Participants in ED programs are required to submit annual financial statements and compliance audits performed by independent public accountants. The various types of audits the Department receives include proprietary school/school servicer audits; lender/lender servicer audits; guaranty agency audits; and Office of Management and Budget Circular A-133 Single Audits.

The Inspector General Act directs the Inspector General to take appropriate steps to assure that work performed by nonfederal auditors complies with federal government auditing standards. The OIG publishes audit guidance specific to ED programs to assist independent public accountants in performing independent audits.

QUALITY REVIEWS OF NONFEDERAL AUDITS

This period we completed 60 quality control reviews (QCRs) of audits performed by 55 different independent public accountants (including 3 audits performed by different offices of a national certified public accounting firm).

RESULTS OF QCRS

Based on our reviews, we determined:

- 39 (sixty-five percent) were acceptable or contained only minor audit deficiencies;
- 17 (twenty-eight percent) were substandard, requiring corrective action by the auditor; and
- 4 (seven percent) contained significant inadequacies preventing the Department from relying upon these audits.

REFERRALS OF INDEPENDENT PUBLIC ACCOUNTANTS

For audits containing significant inadequacies and for other serious violations of professional standards, we made six referrals to the American Institute of Certified Public Accountants and/or the appropriate State Board of Accountancy for possible disciplinary action during this period.

President's Council on Integrity and Efficiency

The Inspector General is a member of the President's Council on Integrity and Efficiency (PCIE) and the PCIE's Audit Committee. Our office participated in several PCIE initiatives during this reporting period.

PRESIDENTIAL DECISION DIRECTIVE 63

Presidential Decision Directive (PDD) 63 provides for a national effort to assure the security of the nation's critical infrastructures. The directive, issued May 22, 1998, required each agency to develop a Critical Infrastructure Protection Plan within 180 days. By May 22, 2000, those plans were to have been implemented as an initial operating capability. By May 22, 2003, the United States is to achieve and maintain the ongoing ability to protect our nation's critical infrastructures.

This period, the PCIE Audit Committee initiated a phased review of the nation's critical infrastructure assurance program in which at least 21 OIGs, including this office, are participating. Our audit objective in Phase I was to assess the adequacy of ED's planning and assessment activities for protecting its critical cyber-based infrastructures.

We concluded that the Department has not taken sufficient action to implement PDD 63 and needs to improve its planning and assessment activities for protecting its critical cyber-based infrastructures. Specifically, we recommended that the Department:

- revise and implement its Critical Infrastructure Protection Plan;
- identify its critical infrastructure assets; and
- conduct vulnerability assessments.

The CIO acknowledged that sufficient action has not been taken to implement the plan because the Department focused its information technology resources and leadership on other urgent

needs, such as Y2K readiness. ED has recently taken positive steps, including the establishment of a Chief Infrastructure Assurance Officer position and an Information Security Steering Committee.

REPORT TO THE PRESIDENT

This period, our office produced the President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency *Fiscal Year 1999 Progress Report to the President*. The report presented examples of government-wide OIG accomplishments and initiatives in the areas of preparing for Year 2000; systems security; GPRA; and integrity, accountability, and results. The report illustrated the many ways in which IG offices helped promote economy, efficiency, and integrity in government programs and operations during the year.

P.L. 95-452 REPORTING REQUIREMENTS

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Section 5(a)(6) Listing of Audit Reports

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Section 5(a)(7) Summary of Significant Audits

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Section 5(a)(10) Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period

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Section 5(a)(11) Significant Revised Management Decisions*

Section 5(a)(12) Significant Management Decisions with Which OIG Disagreed*

*No instances to report

MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF EDUCATION REPORTED TO CONGRESS BY OIG

- The Department must address long-standing problems with financial management.
- The Department must improve its security posture, policy and plans for its systems.
- The implementation of Student Financial Assistance's Modernization Blueprint and Performance Plan presents unique challenges.
- The Department's goal of "paperless" systems for SFA fund delivery creates new opportunities for efficiency and requires effective controls to ensure accountability, security and legal enforcement.
- The Department needs to fully implement the Clinger-Cohen Act.
- Obtaining quality data to measure the performance of its programs and to meet the reporting requirements of the Results Act presents significant challenges.
- Balancing compliance monitoring and technical assistance presents a management challenge for elementary and secondary education programs.
- The Department must continue to work with the Internal Revenue Service to implement a data match to ensure that SFA recipients accurately report income to qualify for financial aid.

Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed

Section 5(a)(3) of the Inspector General Act requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports and management improvement reports.

Report Number/ Date Issued	Auditee/Title (Prior SAR Number and Page)	Date Resolved	Total Monetary Findings	Number of Recommendations Open	Number of Recommendations Closed	Latest Target/ Closure Date
New Since Last Reporting Period						
	None					
Reported in Previous Semiannual Report						
OFFICE OF POSTSECONDARY EDUCATION						
04-60001 March 27, 1996	Process Enhancements in the HEA, Title III, Institutional Aid Program would Increase Program Efficiency Despite Limited Resources (SAR 32, pg. 9)	8/31/96	*	2	2	August, 2001
STUDENT FINANCIAL ASSISTANCE						
MIR 92-05** **09-18053** March 13, 1992	ED Needs to Strengthen Student Loan Cure Procedures (SAR 24, pg. 12)	9/30/93	$154,000,000	1	0	FY-2001
17-48320 March 17, 1995	Financial Statement Audit: U.S. Department of Education Federal Direct Student Loan Program for the Year Ended September 30, 1994 (SAR 30, pg. 20)	9/30/95	*	0	9	See Footnote [2]
17-40302 May 31, 1995	Financial Statement Audit: U.S. Department of Education Federal Family Education Loan Program for the Years Ended September 30, 1994 (SAR 31, pg. 12)	8/31/95	*	3	2	See Footnote [3]
17-30302 June 30, 1994	Financial Audit: Federal Family Education Loan Program's Financial Statements for the Years Ended 1993 and 1992 (SAR 29, pg. 16)	10/31/94	*	3	6	See Footnote [1]
05-80011 August 27, 1998	Institutional Participation and Oversight Service has Opportunities to Improve the Recertification Process (SAR 37, pg. 16)	5/31/99	*	1	1	February, 2001
OFFICE OF THE CHIEF FINANCIAL OFFICER						
17-40303 August 16, 1996	Report of Independent Accountants on the US Department of Education Fiscal Year 1995 Department-Wide Financial Statements (SAR 33, pg. 14)	3/31/97	*	2	24	December, 2000
17-60002 August 31, 1997	Report of Independent Accountants on the US Department Of Education Fiscal Year 1996 Department-Wide Financial Statements (SAR 35, pg. 19)	5/31/99	*	4	20	FY-2001
17-70002 June 15, 1998	US Department of Education's Fiscal Year 1997 Financial Statements and Accompanying Notes (SAR 37, pg. 13)	5/31/99	*	4	33	FY-2001
OFFICE OF THE CHIEF INFORMATION OFFICER						
11-70007 March 31, 1998	The Status of Education's Implementation of the Clinger-Cohen Act (SAR 36, pg. 19)	8/31/99	*	7	1	FY-2002

* Non-monetary findings only

** Management Improvement Report (MIR)

SAR- Semiannual Report

CAP- Corrective Action Plan

[1] *ACN 17-30302 - OIG returned the CAP to Program Office on 8/18/00 due to conflicting information. A revised CAP was not received by OIG before reporting period ended.*

[2] *ACN 17-48320 - OIG returned the CAP to Program Office on 8/18/00 due to conflicting information. A revised CAP was received by OIG and accepted by OIG after the reporting period ended, thus updated information will not be reflected in current SAR.*

[3] *ACN 17-40302 - OIG returned the CAP to Program Office on 8/18/00 due to conflicting information. A revised CAP was not received by OIG before reporting period ended.*

ED/OIG Audits Services Reports on Education Department Programs and Activities (April 1, 2000 - October 31, 2000)

Section 5(a)(6) of the Inspector General Act requires a listing of each report completed by OIG during the reporting period. A total of 34 audit reports were issued by ED/OIG auditors. In addition, we issued 14 alternative products, which includes management information reports, action memoranda, and special projects. The 48 reports are listed below by program office.

Report Number / Date Issued	Report Title	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommendations
AUDIT REPORTS					
OFFICE OF THE CHIEF FINANCIAL OFFICER					
A02-80002 September 22, 2000	Recipient Financial Management System Contract Computer Data Systems, Incorporated, Rockville, Md.	$39,565	*	*	2
A03-80010 September 13, 2000	Audit of Drawdown Controls in Grant Administration and Payment Systems	*	*	*	2
A07-A0014 September 27, 2000	Follow-up Review on Corrective Actions the Department Had Taken in Response to Issues Reported during the Office of Inspector General's Contract Monitoring Audits of Student Financial Assistance Information Technology Contracts	*	*	*	9
OFFICE OF THE CHIEF INFORMATION OFFICER					
A11-90018 July 10, 2000	Review of EDNet Security	*	*	*	(a)
A11-A0005 September 14, 2000	Review of Planning and Assessment Activities for Presidential Decision Directive 63 on Critical Infrastructure Protection	*	*	*	10
OFFICE OF THE DEPUTY SECRETARY					
A11-A0014 September 15, 2000	Audit of the U.S. Department of Education's Controls over Cellular Phones	*	*	*	7
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION					
A01-90006 September 27, 2000	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Even Start Program	$29,204	$152,065	*	18
A01-90007 September 27, 2000	Puerto Rico Department of Education Needs Major Improvement in its Administration of the Governor's Safe and Drug-Free School Program	$28,464	$53,988	*	17
A03-90023 July 26, 2000	Maryland State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	3
A03-A0007 August 7, 2000	West Virginia State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	0
A03-A0008 September 13, 2000	Colorado State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	3
A05-A0011 August 21, 2000	Wisconsin State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	4
A05-A0021 June 28, 2000	Audit of Selected Aspects of Alliance City Schools' Administration of the 21st Century Community Center (Learning Center) Program	*	*	*	0
A06-A0005 June 20, 2000	Texas State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	0
A06-A0006 September 28, 2000	New Mexico State and Local Education Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	6
A09-90032 August 4, 2000	Audit of San Francisco Unified School District's Oversight of Title I Funds for Services to Private School Students as Authorized by the Elementary and Secondary Education Act	*	*	*	6
A09-A0008 September 20, 2000	California State and Local Educational Agencies' Compliance with the Gun-Free Schools Act of 1994	*	*	*	6

** - Non-monetary findings only*

*** - Includes other recommended recoveries*

(a) - Number not cited due to the sensitivity of the report

A - Audit

ED/OIG Audits Services Reports on Education Department Programs and Activities (April 1, 2000 - October 31, 2000) (cont.)

Report Number / Date Issued	Report Title	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommendations
AUDIT REPORTS					
OFFICE OF POSTSECONDARY EDUCATION					
A04-90014 June 30, 2000	Review of Title III Program, HEA, Compliance with GPRA Requirements for Implementation of Performance Indicators	*	*	*	7
A04-A0009 September 29, 2000	Audit of the Higher Education Act Title III, Part A Higher Grant at Mars Hill College	$64,707	*	*	2
A05-A0003 September 28, 2000	Audit of the Student Support Services Project Administered by Mount Senario College, Ladysmith, Wisconsin	$60,880	*	*	9
OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES					
A05-A0027 September 15, 2000	Audit of Terminal Leave Costs at the Ohio Rehabilitation Services Commission under the State Vocational Rehabilitation Services Program	*	*	*	0
A09-A0001 September 22, 2000	Arizona Department of Education Management Controls over IDEA, Part B-Special Education Performance Data	*	*	*	7
STUDENT FINANCIAL ASSISTANCE					
A01-90005 September 29, 2000	The Recertification Process for Foreign Schools Needs To Be Improved	*	*	*	4
A02-70010 June 6, 2000	Drake Business Schools Corporation - Refunds of Unearned Tuition, Fees and Other Institutional Charges	$72,493	*	*	11
A03-90003 September 29, 2000	Audit of Case Management and Oversight's Audit Tracking and Resolution Process	*	*	*	7
A03-90005 September 15, 2000	Computer Dynamics Institute Incorporated's Eligibility to Participate in the Title IV Programs	$6,410,913	*	*	6
A04-90003 September 21, 2000	Review of Case Management & Oversight's Program Review Function	*	*	*	3
A05-90052 September 14, 2000	Mount Senario College's Administration of the Title IV, HEA Program for the Period July 1, 1998 through June 30, 1999	$40,942	*	*	12
A05-90024 September 28, 2000	Consolidating Defaulted Loans in the Federal Consolidation Loan Program within the Federal Family Education Loan (FFEL) Program	*	*	*	3
A05-90054 September 28, 2000	Audit of the Title IV, Higher Education Act Programs Administered by Cleveland State University, Cleveland, Ohio	$86,189	*	*	9
A06-90004 August 7, 2000	Review of Student Financial Aid Compliance at Success Institute of Business	$2,245,416	*	*	3
A06-90012 August 8, 2000	Review of Student Financial Aid Compliance at the International Institute of Chinese Medicine	$66,034	*	*	4
A06-A0011 September 20, 2000	The Academy of Health Care Professions' Compliance with Selected Requirements of the Higher Education Act, Student Financial Assistance Programs	*	*	*	0
A07-A0003 September 28, 2000	Audit of the Access America For Students Program (AAFS), Student Account Manager (SAM) Data	*	*	*	2

* - *Non-monetary findings only*

** - *Includes other recommended recoveries*

A- Audit

ED/OIG Audits Services Reports on Education Department Programs and Activities (April 1, 2000 - October 31, 2000) (cont.)

Report Number / Date Issued	Report Title	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommendations
ALTERNATIVE AUDIT SERVICES PRODUCTS					
OFFICE OF THE CHIEF FINANCIAL OFFICER					
E07-A0017 May 8, 2000	Planned Payment to Contractor for Unauthorized Work (SFA Action Memo No. 00-01)	*	*	*	3
E07-A0022 July 13, 2000	Duplicate Payments Made to Policy Studies Associates, Inc. (State and Local Action Memo No. 00-05)	*	*	*	1
E07-A0032 September 25, 2000	Possible Impact of Guidance on ED's Control Environment (State and Local Action Memo No. 00-07)	*	*	*	2
F07-90041 May 8, 2000	Audit of National Computer Systems' Central Processing System Contract Repricing and Equitable Adjustment Proposal	(b)	*	*	1
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION					
E03-A0008 May 11, 2000	Colorado Department of Education's Compliance with the Gun-Free Schools Act of 1994 (State and Local Action Memo No. 00-01)	*	*	*	1
E04-A0007 July 17, 2000	Review of Alabama Title I Program (State and Local Action Memo No. 00-04)	*	*	*	5
E09-A0013 May 18, 2000	California Department of Education's Compliance with the Gun-Free Schools Act of 1994 (State and Local Action Memo No. 00-02)	*	*	*	1
OFFICE OF POSTSECONDARY EDUCATION					
A09-90030 September 27, 2000	Management Controls for Distance Education at State Agencies and Accrediting Agencies (Mgmt. Info. Rpt.)	*	*	*	0
E07-A0012 May 23, 2000	Extension of the Project Period for Colorado State University's FY 1994 Educational Opportunity Center Grant (State and Local No. 00-03)	*	*	*	2
E07-A0029 September 29, 2000	TRIO Projects at Independence Community College, Kansas Critical Financial and Administrative Deficiencies (State and Local Action Memo No. 00-06)	*	*	*	1
STUDENT FINANCIAL ASSISTANCE					
S11-90008 August 3, 2000	Results of Review of Controls over NSLDS's SSN Only Query Option (System Action Memo No. 00-01)	*	*	*	2
NOT RELATED TO ANY PROGRAM OFFICE					
A05-A0024 June 30, 2000	Review of Travel Activities	*	*	*	0
A05-A0032 July 28, 2000	Review of Travel Activities - First Update	*	*	*	0
A05-A0034 September 29, 2000	Review of Travel Activities - Second Update	*	*	*	0

** - Non-monetary findings only*

*** - Includes other recommended recoveries*

(b) - Not available under the Freedom of Information Act

A- Audit

E- Action Memo

F- Field Pricing Proposal

S- Special Project

Other ED/OIG Reports on Education Department Programs and Activities

ACN	Report Number	Report Title	Date Issued
ANALYSIS AND INSPECTION REPORTS			
S13A003	*2000-001*	Results of the OIG Review of the Office of Vocational and Adult Education's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	April 18, 2000
S13A003	*2000-002*	Results of the OIG Review of the Office of Elementary and Secondary Education's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	May 22, 2000
S13A003	*2000-003*	Results of the OIG Review of the Office of Bilingual Education and Minority Languages Affairs' Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	May 23, 2000
S13A003	*2000-004*	Results of the OIG Review of the Office of Management's Internal Controls Over the Procurement of Good and Services Using Third Party Drafts and Purchase Cards	June 26, 2000
S13A003	*2000-005*	Results of the OIG Review of the Office of Special Education and Rehabilitative Services' Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	July 19, 2000
S13A003	*2000-006*	Results of the OIG Review of the Office of Chief Financial Officer/Office of Chief Information Officer's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	July 26, 2000
S13A003	*2000-007*	Results of the OIG Review of the Office of Civil Rights' Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	August 2, 2000
S13A003	*2000-008*	Results of the OIG Review of the Office of Intergovernmental and Interagency Affairs' Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	August 18, 2000
S13A003	*2000-009*	Results of the OIG Review of the Office of Educational Research and Improvement's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	August 28, 2000
S13A003	*2000-010*	Results of the OIG Review of the Office of the Secretary/Office of Legislation and Congressional Affairs' Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	August 31, 2000
S13A003	*2000-011*	Results of the OIG Review of the Office of the Under Secretary's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	September 19, 2000
S13A003	*2000-012*	Results of the OIG Review of the Office of the General Counsel's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	September 18, 2000
S13A003	*2000-013*	Results of the OIG Review of the Office of Postsecondary Education's Internal Controls Over the Procurement of Goods and Services Using Third Party Drafts and Purchase Cards	September 19, 2000
INVESTIGATIVE PROGRAM ADVISORY REPORT			
		Awarding of SFA Contracts to Public Strategies Group	August 31, 2000

Inspector General Issued Audit Reports with Questioned Costs [1]

		NUMBER	QUESTIONED	UNSUPPORTED [2]
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)	36	$184,791,770	$16,202,219
B.	Which were issued during the reporting period	11	9,350,896	206,053
	Subtotals (A + B)	47	$194,142,666	$16,408,272
C.	For which a management decision was made during the reporting period	7	$75,406,457	$107,634
	(i) Dollar value of disallowed costs		63,135,452	0
	(ii) Dollar value of costs not disallowed		$12,271,005	$107,634
D.	For which no management decision has been made by the end of the reporting period	40	$118,736,209	$16,300,638
E.	For which no management decision was made within six months of issuance	28	$73,712,171	$10,064,075

[1] *None of the audits reported in this table were performed by the Defense Contract Audit Agency.*

[2] *Included in questioned costs.*

Inspector General Issued Audit Reports with Recommendations for Better Use of Funds[1]

		Number	Dollar Value
A.	For which no manager decision has been made before the commencement of the reporting period (as adjusted)	5	$53,510,180
B.	Which were issued during the reporting period	0	0
	Subtotals (A + B)	5	$53,510,180
C.	For which a management decision was made during the reporting period	3	$43,100,000
	(i) Dollar value of recommendations that were agreed to by management	1	$34,500,000
	(ii) Dollar value of recommendations that were not agreed to by management	2	$8,600,000
D.	For which no management decision has been made by the end of the reporting period	2	$10,410,180
E.	For which no management decision was made within six months of issuance	2	$10,410,180

[1] *None of the audits reported in this table were performed by the Defense Contract Audit Agency.*

Unresolved Reports Issued Prior to April 1, 2000

Section 5(a)(10) of the Inspector General Act requires a listing of each report issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period.

Report Number/ Date Issued	Report Title (Prior SAR No. and Pg.)	Total Monetary Findings	Number of Recommendations
New Since Last Reporting Period			
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION			
04-90008 March 29, 2000	Combining Funds in Schoolwide Programs	*	3
Status: Program staff is working to resolve this by November.			
STUDENT FINANCIAL ASSISTANCE			
05-90002 December 29, 1999	Audit of the Illinois Student Assistance Commission's Administration of the Federal Family Education Loan Program	$17,084	3
Status: SFA and OIG have agreed to resolve the audit. OIG is awaiting audit clearance document and program determination letter.			
06-80008 February 15, 2000	Audit of Capital City Trade and Technical School Inc. Compliance with the 85 Percent Rule	$2,032,581	3
Status: On departmental administrative stay - SFA is working with OIG to resolve this audit as it contains 85/15 issues.			
06-80013 March 6, 2000	Hallmark Institute of Aeronautics' Compliance with the 85 Percent Rule	$5,204,586	3
Status: On departmental administrative stay - SFA is working with OIG to resolve this audit as it contains 85/15 issues.			
06-90008 March 30, 2000	Southern Careers Institute's Compliance with the 85 Percent Rule	*	1
Status: This audit was not resolved by 9/30/00 as the audit contained an 85/15 issue. However, on 10/16/00 this audit was resolved.			
06-90011 February 8, 2000	Review of Collections Activities at Unger and Associates	$833,897	4
Status: On departmental administrative stay - SFA will work this once the Department's administrative stay is lifted.			
09-90011 February 28, 2000	Platt College- San Francisco Administration of Title IV Programs	$191,721	10
Status: School requested additional time to respond to the report because they claim they did not receive the report.			
N06-90010 February 9, 2000	Inspection of Park College's Compliance with Student Financial Assistance Requirements	$169,390	1
Status: This is an inspection report. On departmental administrative stay - SFA is working with OIG and OGC to resolve this.			
OFFICE OF THE CHIEF FINANCIAL OFFICER			
05-90045 March 27, 2000	Audit of the Student Support Services Project Administered by Marian College, Fond Du Lac, Wisconsin	$77,959	10
Status: Post audit group in OCFO stated that this audit was resolved September 6, 2000. However, OIG is awaiting the audit clearance document and program determination letter.			
07-90003 March 15, 2000	Audit of the Central Processing System Contract	$90,600	5
Status: Contracts and Purchasing Office of OFCO is in communication with NCS whether a refund of key personnel charges is due to the Department.			
07-90017 March 16, 2000	Audit of Compliance with Cost Accounting Standards for Travel National Computer Systems, Iowa City, IA	*	4
Status: Contract and Purchasing Office of OCFO has requested copies of revised travel policies from NCS.			
OFFICE OF POSTSECONDARY EDUCATION			
07-80027 March 31, 2000	Audit of Creighton University's Administration of its Federal TRIO Projects	$372,399	3
Status: In July of 2000, Creighton paid $253,307 to resolve the monetary finding, and SFA expects to resolve the balance of the findings by January 2001.			

* - Non-monetary findings only.

Note: Status comments agreed to or provided by Department.

Unresolved Reports Issued Prior to April 1, 2000 (cont.)

Report Number/ Date Issued	Report Title (Prior SAR No. and Pg.)	Total Monetary Findings	Number of Recommendations
Reported in Previous Semiannual Report			
OFFICE OF ELEMENTARY AND SECONDARY EDUCATION			
02-50200 November 14, 1997	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13)	*	1
Status: Representatives from OESE, OGC and OCFO are in the process of finalizing a time distribution agreement.			
02-56113 February 17, 1995	Virgin Islands Department of Education (SAR 30, pg. 17)	$10,375,000	14
Status: This audit was conducted by the Dept. of Interior OIG, and covered contracts under the Capital Improvement Program, Government of Virgin Islands. Resolution is tied to a complex, multi-office effort coordinated by senior ED officials. A program determination letter is in OGC for review.			
STUDENT FINANCIAL ASSISTANCE			
02-80005 July 23, 1999	Universidad Inter Americana de Puerto Rico Needs to Improve its Administration of Title IV Programs (SAR 39, pg. 23)	$1,268,256	16
Status: On departmental administrative stay - SFA will decide upon completion of a total file review being performed by the school.			
04-60147 February 18, 1997	Review of Selected Aspects of the Kentucky Higher Education Assistance Authority's Administration of the Federal Family Education Loan Program (SAR 39, pg. 9)	$1,263,251	3
Status: According to OCFO, funds have been deposited to a Federal Reserve Bank. Financial Partners Channel in SFA is requesting closure. OIG has not received this request.			
06-70005 March 13, 1998	Professional Judgment at Yale University (SAR 36, pg. 18)	$5,469	3
Status: On departmental administrative stay - SFA and OIG are awaiting the outcome of another audit dealing with professional judgment that has been appealed to the Secretary of Education.			
06-70009 July 17, 1998	Professional Judgment at University of Colorado (SAR 37, pg. 17)	$15,082	4
Status: On departmental administrative stay - SFA and OIG are awaiting the outcome of another audit dealing with professional judgment that has been appealed to the Secretary of Education.			
07-23545 April 1, 1993	State of Missouri, Single Audit Two Years Ended June 30, 1991	$1,048,768	18
Status: This report is a single audit report prepared by State Auditor of Missouri that covered two years ended June 30, 1991. This is on departmental administrative stay. SFA is working with OGC to resolve some issues.			
07-33123 March 7, 1994	State of Missouri, Single Audit Year Ended June 30, 1992	$187,530	18
Status: This report is a single audit report prepared by State Auditor of Missouri that covered the year ended June 30, 1992. This is on departmental administrative stay. SFA is working with OGC to resolve some issues.			
09-33114 December 24, 1993	State of California, Single Audit Report Fiscal Year 1990-1991 in Accordance with Federal OMB Circular A-128	$4,191,032	6
Status: This is a single audit report prepared by Office of Auditor General, State of California that covered the period 7/1/90 to 6/30/91. Financial Partners Channel in SFA is developing a consolidated plan to resolve this along with other overdue California single audits and OIG 09-10005 report. OIG is awaiting a consolidated program determination letter.			
09-10005 September 10, 1993	California Student Aid Commission: The Commission's Loans in Repayment Were Overstated by $1.5 Billion (SAR 27, pg. 17)	$41,100,000	5
Status: Financial Partners Channel is developing a consolidated plan to resolve this along with other overdue California single audits. OIG is awaiting consolidated program determination letter.			
09-70015 September 9, 1998	Associated Technical College (ATC) Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg.16)	$8,600,000	7
Status: On departmental administrative stay - SFA is in the process of reviewing additional school records to ensure consistent application of the 85/15 eligibility calculation.			

* - Non-monetary findings only.
Note: Status comments agreed to or provided by Department.

Unresolved Reports Issued Prior to April 1, 2000 (cont.)

Report Number/ Date Issued	Report Title (Prior SAR No. and Pg.)	Total Monetary Findings	Number of Recommendations
Reported in Previous Semiannual Report (cont.)			
STUDENT FINANCIAL ASSISTANCE (cont.)			
09-80023 December 21, 1998	Academy Pacific Business & Travel College Eligibility to Participate in Title IV Programs (SAR 38, pg.20)	$6,649,689	3
Status: On departmental administrative stay - SFA is in the process of reviewing additional school records to ensure consistent application of the 85/15 eligibility calculation			
N04-70011 December 30, 1998	Inspection of CTI's Federal Student Financial Aid Programs (SAR 38, pg. 22)	$67,977	17
Status: This is an Inspection Report. OIG is awaiting an Audit Clearance Document and program determination letter. SFA was informed that only a corrective action plan was needed to close this and provided a CAP to OCFO.			
OFFICE OF THE CHIEF FINANCIAL OFFICER			
07-80018 May 6, 1999	Audit of Title IV Wide Area Network Contract National Computer Systems, Iowa City, IA (SAR 39, pg. 4)	$249,900	6
Status: Contract and Purchasing Office of OCFO is in communication with NCS whether a refund of key charges is due the Department.			
11-90004 May 7, 1999	Review of the Grant Administrations and Payment System (GAPS) Configuration Management Process (SAR 39, pg. 4)	*	8
Status: Post Audit Group in OCFO is performing a quality review of a corrective action plan to be submitted to the OIG.			
04-80009 May 28, 1999	Assessment of Direct Loan Consolidation Program Administration and Operations by EDS, Inc. Since December 1, 1997 (SAR 39, pg. 24)	*	6
Status: SFA and OCFO have agreed to resolve some of the recommendations in this report. There are three recommendations that are not being accepted and a request will be made to OIG. OCFO will explore other recommendations and provide a response.			

* - Non-monetary findings only.
Note: Status comments agreed to or provided by Department.

Investigation Services
Cumulative Prosecutive Actions

Defendant/ Subject	Indicted/ Information	Convicted	Sentenced	Adjudicated Value
SCHOOL CASES				
Alvarez, Georgina	X			
Alvarez, Haydee	X			
Burruss, William	X	X		
Campell, Mary Lou	■	X	X	$1,101
Carrandy, Mirium	X			
Case, Angela	X	X		
Cockrum, Helen	■	■	X	$82,420
Farah, Albert	X	X		
Fields-Ellingboe, Eva	X	X		
Frost, Alan	■	X		
Frost, Ann	■	X		
Hall, Linda Higgs	X	X		
Harmon, Kathryn	X	X		
House James	X			
Huggins, Jackie	■	X	X	$281,302
Jackson, Pam	X			
Kraus, James	X			
Lally, Thomas	■	■	X	$630,894
Ortega, Adminia	X			
Sam, Osmara	X			
Santa, Donna	X	X		
Snumpert-Harris, Rochelle	X			
Sumner, Toni	X	X		
Torres, Alina	X			
Torres, Gabriel	X			
Torres, Marcial	X			
Strain, Daniel	X			
Trimble, Donald	■	■	X	$150,503
Valle, Hiran	X	X		
Whetstone, Edward	X			
Yun, Anna	■	■	X	$8,240
TOTAL VALUE SCHOOL CASES				**$1,154,460**
LENDER CASES				
Kroeplin, William	■	■	X	$5,870
TOTAL VALUE LENDER CASES				**$5,870**

■ - *Action reported in previous period*
X - *Action reported in current period*

Investigation Services
Cumulative Prosecutive Actions (cont.)

Defendant/ Subject	Indicted/ Information	Convicted	Sentenced	Adjudicated Value
SFA RECIPIENT CASES				
Akhtar, Jabir	X			
Apple, Gail	X	X	X	$64,750
Bauldwin, Linda	X	X		
Baeza, Christine	X	X	X	$1,914
Holloway, Bobbie	X			
Mova, Houman	X	X		
Nasoori, Mashallah	■	■	X	$20,000
Neal, Sherry	X	X	X	$5,000
Pelsang, Daniel	■	X	X	$145,450
Pelsang, James	■	X	X	$100
Perkins, Lisa	X			
Randolph-Vaughn, Cynthia	■	X	X	$8,160
Salama, Badi	X	X		
Sanders, Barbara	X			
Warner-Washington, Jennifer	X			
TOTAL VALUE SFA CASES				**$245,374**
FOREIGN STUDY FFEL PROJECT				
Baugh, Melvin	■	■	X	$18,500
Brown, Albert	■	■	X	$10,080
Cortez, Conrad	■	■	X	$509,840
Heidari, Alireza	X			
Kenney, Juwan	■	■	X	$17,760
Mansour, Surray	X			
Mova, Houman	■	■	X	$33,000
Vilegas, Stephan	■	■	X	$17,760
TOTAL VALUE FFEL CASES				**$606,940**
NON-SFA CASES				
Archuleta, Debra	X	X		
Boulier, John	X	X	X	$10,000
Buckler, Marianne	X	X		
McKay, Jimmy	■	X		
Morgan, Dennis	X	X		
Morgan, Lewis	X			
Morgan, Raymond Jr.	X	X		
Morgan, Susan	X			
Smith, Roy	■	X		
Sweeney, Robert	X	X		
Wasquez, Christopher	X	X		
TOTAL VALUE NON-SFA CASES				**$10,000**

■ - *Action reported in previous period*

X - *Action reported in current period*

Investigation Services
Cumulative Prosecutive Actions (cont.)

Defendant/ Subject	Civil Matters	Adjudicated Value
CONSULTANT AND CLIENT CASES		
Amos, Eddiel	X	$2,000
Anderson, Anton	X	$4,940
Brown, Lesley	X	$2,470
Johnson, Natoshia	X	$8,320
Johnson, Stephanie	X	$7,920
McRay, Rashon	X	$4,090
Paradise, Roalyn	X	$3,510
Rias, Tarlishia	X	$7,920
Sappington, Tennille	X	$3,540
Sims, Elnora	X	$7,920
Walls, Sharon	X	$7,298
Washington, Marcus	X	$5,300
Watkins, Tanya	X	$21,000
Watson, Arleseuia	X	$2,470
Watson, Courtney	X	$2,581
TOTAL VALUE CONSULTANT/CLIENT CASES		**$91,279**
CIVIL CASES		
CORUS/River Forest Bank	X	$7,775,000
CSC Credit Services, Inc	X	$6,417,114
Goings, DeAngeles	X	$16,540
Qualy, Ellen	X	$98,778
TOTAL VALUE CIVIL CASES		**$14,307,432**
ASSET FORFEITURE		
Impact Aid Program	X	$1,657,980
TOTAL VALUE ASSET FORFEITURE		**$1,657,980**

■ - *Action reported previous period*
X - *Action reported in current period*

Collections from Audits and Investigations

The House Report (H.R. 105-635) to accompany H.R. 4274, directs the Inspector General of the Department of Education to submit reports detailing recoveries and savings generated by its work. The following tables reflect that information.

AUDIT

FY	Reports Issued With Quest/Unsupp	Quest/Unsupp Recommended	Reports Quest/Unsupp Resolved	Recommended Quest/Unsupp Resolved	Management Decision	Write-Offs Adjustments	Collected/ Recovered	Balance
1998	11	$17,011,401	8	$6,162,004	$1,671,959	$0	$1,671,959	$0
1999	11	$69,804,793	8	$61,761,748	$32,631,082	$0	$22,215	$32,608,867
2000	21	$73,056,107	2	$54,724,994	$60,633,994	$0	$1,600,000	$59,033,994
Total	43	$159,872,301	18	$122,648,746	$94,937,035	$0	$3,294,174	$91,642,861

INVESTIGATION

FY	Cases*	Fines, Restitutions, Settlements and Judgments	Amount Collected Current Period	Amount Collected Prior Period(s)	Amount Collected
1998	293	$48,208,055	$368,764	$30,805,609	$31,174,373
1999	133	$19,154,906	$55,095	$7,025,578	$7,080,673
2000	100	$37,311,157	$21,082	$6,565	$27,647
Total	526	$104,674,118	$444,941	$37,837,752	$38,282,693

* *Number of cases for which collection was ordered during the fiscal year*

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Statistical Profile
April 1 - September 30, 2000

	Six-month Period Ending 9/30/00	Fiscal Year Ending 9/30/00
OIG AUDIT REPORTS ISSUED	34	55
Questioned Costs	$9,144,843	$71,846,767
Unsupported Costs	$206,053	$206,053
Recommendations for Better Use of Funds	$0	$4,600,000
OTHER OIG PRODUCTS		
(Inspections, Action Memoranda, Information Reports, Advisory Reports, Special Studies, and Field Pricing Reviews)	28	38
OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS	18	38
Questioned Costs Sustained	$63,135,452	$63,252,725
Unsupported Costs Sustained	$0	$23,572,341
Additional Disallowances Identified by Program Managers	$585,235	$683,066
Management Commitment to the Better Use of Funds	$34,500,000	$34,500,000
INVESTIGATIVE CASE ACTIVITY		
Cases Open	129	239
Cases Closed	108	195
Cases Active at End of Period	362	362
Prosecutorial Decisions	62	113
-Accepted	55	98
-Declined	7	15
INVESTIGATION RESULTS		
Indictments/Information	36 [1]	71
Convictions/Pleas	36	60
Fines Ordered	$12,200	$13,500
Restitution Payments Ordered	$1,699,988	$14,588,708
Civil Settlement/Judgments	50 [2]	74
Civil Settlement/Judgments	$14,626,038 [3]	$14,933,949
Savings	$3,859,473	$4,530,559

[1] *Includes 2 cases that were not reported in the last semiannual report*

[2] *Includes 28 cases that were not reported in the last semiannual report*

[3] *Includes $204,847 that was not reported in the last semiannual report*

U.S. Department of Education
Washington, D.C. 20202-1510

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